

NORTH  
CANADIAN  
OILS  
LIMITED

**annual report • 1958**









# ELEVENTH ANNUAL REPORT

## NORTH CANADIAN OILS LIMITED

### officers

FRANK E. RUBEN ..... *President and Managing Director*  
 PERCIVAL J. TIMMS ..... *Vice-President*  
 ROBERT F. RUBEN ..... *Vice-President*  
 FRANK C. FINN ..... *Secretary-Treasurer*

### directors

FRANK C. FINN ..... *Calgary, Alberta*  
 H. B. GRIFFITH ..... *Montreal, Quebec*  
 C. P. HOTCHKISS ..... *Toronto, Ontario*  
 DONALD G. ROSS ..... *Toronto, Ontario*  
 FRANK E. RUBEN ..... *Calgary, Alberta*  
 ROBERT F. RUBEN ..... *Calgary, Alberta*  
 PERCIVAL J. TIMMS ..... *Calgary, Alberta*

### capital

7,500,000 COMMON SHARES HAVING A PAR VALUE OF TWENTY-FIVE CENTS PER SHARE  
 ISSUED: 5,089,936 SHARES PLUS 229,970 SHARE PURCHASE WARRANTS  
 70,000 PREFERRED SHARES HAVING PAR VALUE OF \$50.00 PER SHARE  
 ISSUED 70,000 SHARES

### common share registrars

PRUDENTIAL TRUST COMPANY LIMITED ..... *Calgary, Alberta*  
 REGISTRAR AND TRANSFER COMPANY ..... *Jersey City, New Jersey, U.S.A.*

### common share transfer agents

PRUDENTIAL TRUST COMPANY LIMITED ..... *Calgary and Toronto*  
 REGISTRAR AND TRANSFER COMPANY ..... *Jersey City, New Jersey, U.S.A.*

### preferred share registrar and transfer agents

PRUDENTIAL TRUST COMPANY LIMITED ..... *Calgary and Toronto*

### common shares listed

TORONTO STOCK EXCHANGE AND AMERICAN STOCK EXCHANGE

### share warrants listed

TORONTO STOCK EXCHANGE ..... *Toronto*

### preferred shares listed

TORONTO STOCK EXCHANGE ..... *Toronto*

### auditors

ROSS, NEWBORN & Co. .... *Calgary, Alberta*

### head office

640 SEVENTH AVENUE SOUTHWEST® ..... *Calgary, Alberta*



## TO THE SHAREHOLDERS

**T**

HE directors are pleased to submit this Annual Report for 1957. We feel that you will be extremely gratified with the progress your Company has made during this period.

The graph on page 3 shows the steady growth of the Company's monthly income during the past year and you will note that the gross income during this period increased 300% over the previous year. Equally significant was the fact that the Company earned a net profit of \$201,107.84 compared to a loss of \$388,213.69 for the year ended March 31, 1957.

During the past year your Company has shown a remarkable growth, not only over the year previous but also during each individual month of the year. We feel confident that this same trend will continue through the current year.

North Western Pulp & Power Ltd., in which your Company and St. Regis Paper Company (Canada) Ltd., have an equal interest, commenced production in April 1957 and is now approaching normal operation. As you were told in our last Annual Report the final cost of the pulp mill was considerably more than was initially estimated and it was necessary for your Company to provide North Western with its share of the funds required to meet this extra cost. This was accomplished by North Canadian and St. Regis each purchasing \$2½ million of 5% Subordinate Debentures of North Western Pulp & Power Ltd., in November of 1956. Then in June of 1957 each Company purchased a further \$2 million of these Subordinate Debentures. To obtain funds to purchase these latter Debentures your Company went to its Bank and arranged a loan for this amount. The loan was made on the understanding that it would be paid by June 1, 1958.



This was necessary because of the restrictive regulations that had been imposed on the Bank due to the country's tight money policy at that time. Subsequent to this an arrangement was made with St. Regis whereby St. Regis or its bankers would take over the \$1,400,000.00 outstanding on our note from the Bank on June 1, 1958, and we would commence repaying them at the rate of \$50,000.00 per month on January 1, 1959.

Demand for the mill's premium product ALBERTA HI-BRITE has been exceptionally good. This, coupled with the fact that operations to date confirm that the mill will produce considerably in excess of its designed capacity, indicates that these extra costs will be offset by equivalent extra earnings.

In addition to the above, during this startup period working capital was required to cover operating losses and to provide the huge inventory of wood and chemicals totalling approximately \$6 million, which it is necessary to carry. St. Regis, who is completely responsible for the management and operation of the plant, advanced a further \$7½ million to provide this necessary working capital. This advance will be repaid by North Western out of revenue.

The over-supply situation which currently exists in the Western Canada crude oil picture is a predominant factor in your Company being cautious about going into expanded oil and gas exploration activities at the present time. The officers of your Company, however, are keeping careful watch on the situation and will use whatever resources the Company has available to commence an oil and gas exploration program when they feel the general situation has improved sufficiently to warrant re-entry into that field.

The results of the Company's pipeline operation were as impressive as predicted in our last Annual Report and this was our major source of revenue. The graph on page 7 of the report shows that gas sales from the Company's pipeline grew rapidly and steadily each month throughout the year. An analysis of our customers needs indicate that this trend will continue throughout the coming year.

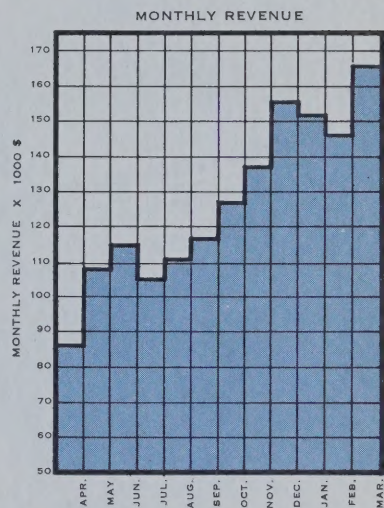
A good deal of the success your Company has enjoyed over the past year is due to the efforts, loyalty and devotion to duty of the entire staff of employees. We wish to thank them for their efforts on behalf of the Company.

Respectfully submitted on behalf of the Board,

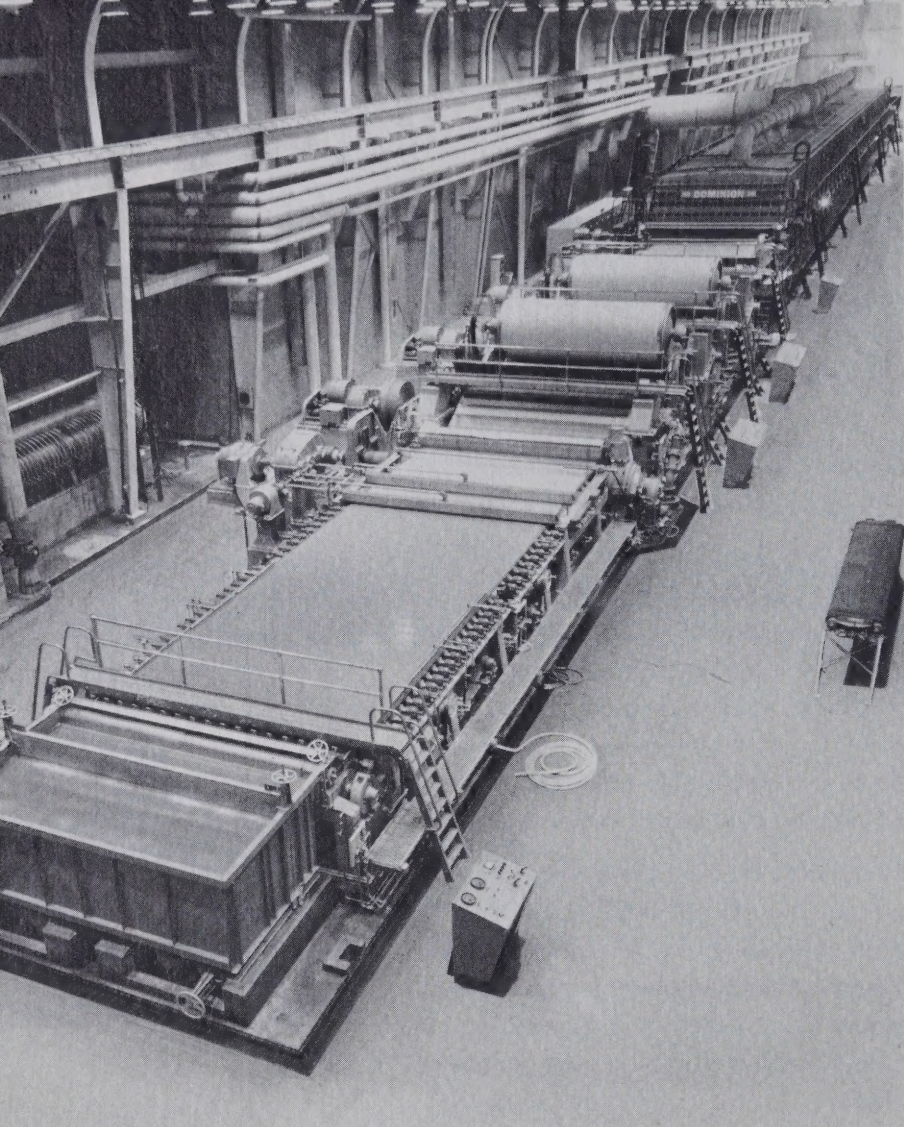
*James E. Turban*

President.

Calgary, Alberta.  
May 26, 1958.







*The Minton Dryer from the wet end*

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## NORTH WESTERN PULP AND POWER LIMITED

**T**HROUGH its 50% ownership of North Western Pulp & Power Ltd., North Canadian Oils is now a member of Canada's leading manufacturing industry, the production of pulp and paper. Its partner in North Western Pulp & Power is the St. Regis Paper Company (Canada) Ltd., a wholly owned subsidiary of the St. Regis Paper Company, one of the largest integrated paper companies in the world.

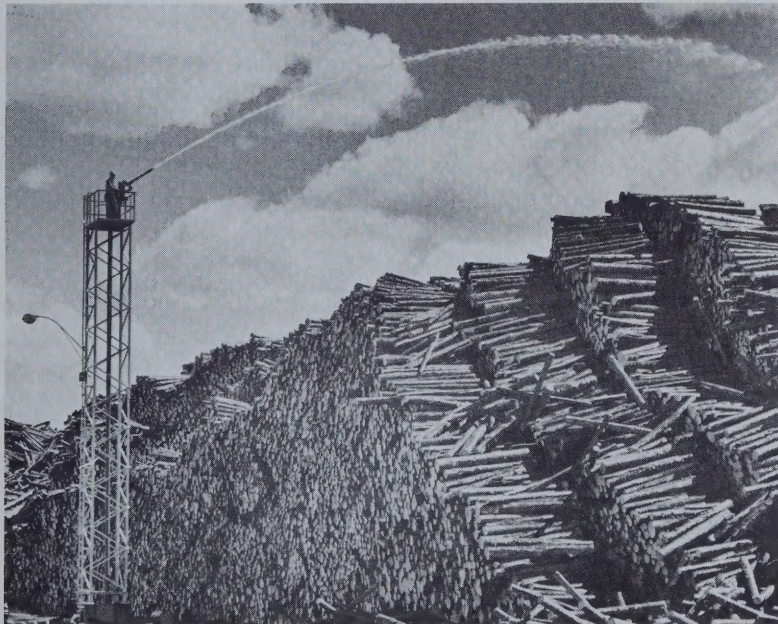
That portion of pulp produced by North Western which is not used by St. Regis in their own converting plants is sold through their nation-wide sales organization under the brand name of ALBERTA HI-BRITE. Although it has been on the market a relatively short time it has enjoyed an excellent reception



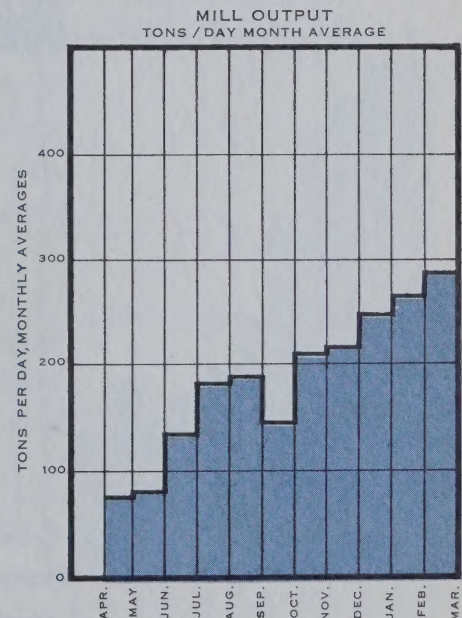
by the trade. In less than one year ALBERTA HI-BRITE has become established among the pulp consumers in Canada and the United States as a premium product competitive with the finest bleached sulphate pulp produced anywhere in the world.

One of North Western's greatest assets is the huge timber reserve from which it draws its raw material. The Company holds roughly four million acres of forest land under a long-term lease from the Province of Alberta, of which the Province is holding two million acres in reserve for the future expansion of the mill. This forms one of the largest contiguous forest reservations in North America.

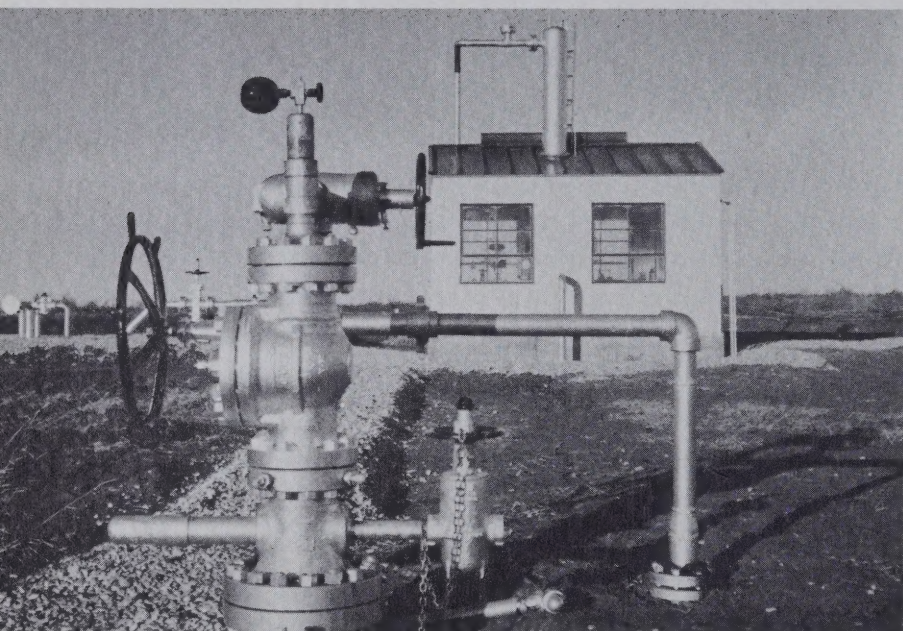
North Western Pulp & Power introduced the pulp industry into Alberta with the commencement of production approximately one year ago. In a "Survey of the Resources and Economic Possibilities" of the Province recently released, it is predicted that the annual growth rate of the pulp and paper industry in Alberta will exceed that of all other principal manufacturing industry groups. The report anticipates that the production of pulp alone will increase over 500% in the Province by 1975. This is particularly gratifying to North Canadian Oils who were responsible for the establishment of North Western Pulp & Power, which built the first pulp mill in Alberta and may now be expected to lead the industry in its future growth and development in this Province.



*Fire monitor spraying wood pile*







*One of the gas wells supplying  
the North Canadian Pipeline*

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## OIL AND GAS OPERATIONS

**T**HE Company's proposed program for the past year, as set out in the 1957 Annual Report, had to be set aside due to the extra money it was required to invest in North Western Pulp & Power Ltd. This curtailment of oil development and oil exploration activity will likely exist for all or most of the current year, as the Company will use its income to repay short term loans and replenish working capital. This is not too serious however due to the oversupply situation which currently exists in Western Canada.

Farmout negotiations are being conducted at the present time which when concluded will result in a deep test well being drilled adjacent to acreage in which your Company has a substantial interest. This well will be drilled at no cost to us.

During the year some of the leases which the Company held from the Canadian Pacific Railway were not renewed due to that Company's change in policy. This acreage was replaced in the Company's portfolio with acreage purchased from the Government of Alberta in other areas of interest.



## PIPELINE

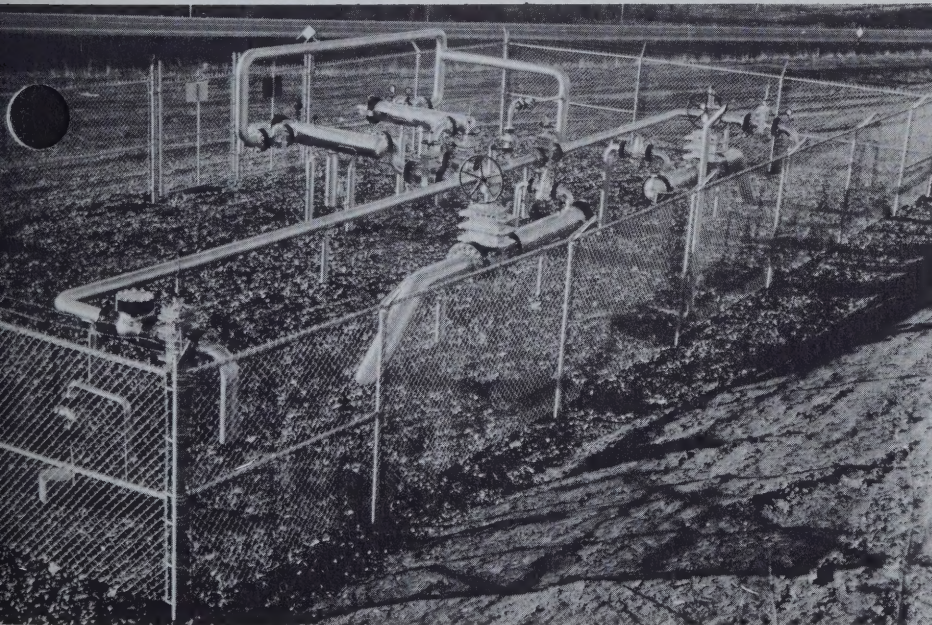
**T**HE Company's pipeline operation for the past year was as successful as was optimistically projected for it and the current year should see the Company benefit still further from the line's operation.

The first few months of the year the line operated below its guaranteed minimum throughput, due to the fact that the pulp mill was still partially completing construction but from August to the end of the fiscal year there was a steady growth each month in the amount of gas sold to North Western Pulp & Power Ltd. This figure should grow still further during the current year as the Pulp Mill proceeds to ultimate production.

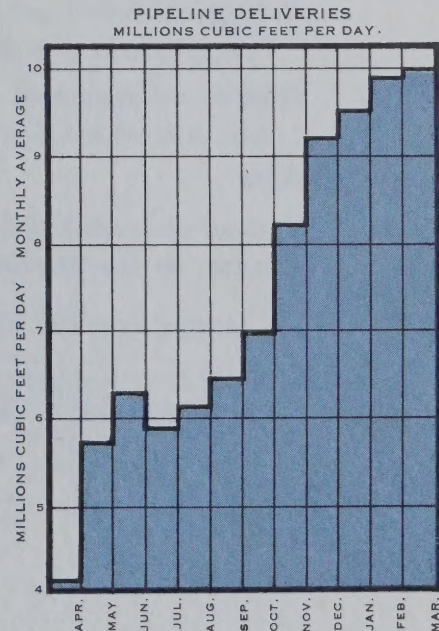
The sales to the Utility Company serving all of the domestic consumers along the Company's line similarly increased each month during the year, and with at least 400 new customers to be connected to gas during the current year, sales to this source should also increase.

Sales to the Trans Mountain Pump Station at Bikerdike dropped off, however, due to the decreased volume of oil that Company was carrying to the Pacific Coast.

The Company decided against extending its pipeline from Hinton to Jasper but the Utility Company serving the Town of Jasper with diesel generated power has expressed a desire to build this line to serve the Town of Jasper, and to operate its electric generating units. If they obtain the necessary permits to proceed with the construction of this extension, we will sell them the gas they require for their line at a Hinton take-off point.



*Intermediate scraper trap and scrubber bank at Wolf Creek.*





# NORTH CANADIAN OILS LIMITED

Calgary, Alberta

## ASSETS

### CURRENT

|                                   |    |                   |
|-----------------------------------|----|-------------------|
| Cash on hand and in bank .....    | \$ | 33,375.88         |
| Trade accounts receivable .....   |    | 155,711.28        |
| Accrued interest receivable ..... |    | 91,013.69         |
| Prepaid expenses .....            |    | 9,127.21          |
| Refundable deposits .....         |    | 5,885.00          |
|                                   | \$ | <u>295,113.06</u> |

### INVESTMENT IN AND ADVANCES TO

WHOLLY OWNED SUBSIDIARY (Note 1) ..... 1,675,586.62

INVESTMENTS AT COST (Note 2) ..... 10,890,958.97

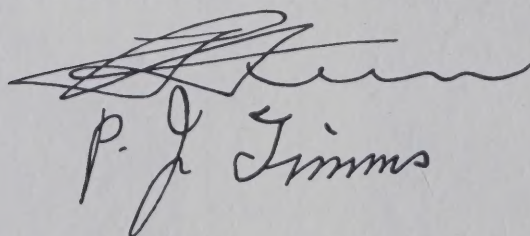
### FIXED AT COST (Note 3)

|                                           |    |                |                     |
|-------------------------------------------|----|----------------|---------------------|
| Real estate .....                         | \$ | 78,983.11      |                     |
| Equities in leases and reservations ..... | \$ | 326,191.53     |                     |
| Development .....                         |    | 352,661.03     |                     |
|                                           | \$ | 678,852.56     |                     |
| Less amount amortized .....               |    | 185,040.78     | 493,811.78          |
| Building, machinery and equipment .....   | \$ | 891,220.61     |                     |
| Less accumulated depreciation .....       |    | 208,364.36     | 682,856.25          |
| Pipeline and equipment .....              |    | \$4,200,780.78 |                     |
| Less accumulated depreciation .....       |    | 240,651.83     | 3,960,128.95        |
|                                           |    |                | <u>5,215,780.09</u> |

### OTHER

|                                               |    |            |                        |
|-----------------------------------------------|----|------------|------------------------|
| Discount on bonds less amount amortized ..... | \$ | 472,313.61 |                        |
| Premium on loan less amount amortized .....   |    | 101,379.36 | 573,692.97             |
|                                               |    |            | <u>\$18,651,131.71</u> |

APPROVED ON BEHALF OF THE BOARD



Director

Director

\$18,651,131.71

The notes attached hereto applicable to



# BALANCE SHEET as at March 31, 1958

## LIABILITIES AND CAPITAL

### CURRENT LIABILITIES

|                                               |    |            |  |
|-----------------------------------------------|----|------------|--|
| Current portion of deferred liabilities ..... | \$ | 265,000.00 |  |
| Trade accounts payable .....                  |    | 42,989.77  |  |
| Accrued interest .....                        |    | 67,769.42  |  |
| Notes payable (note 4) .....                  |    | 300,000.00 |  |
| Mortgage payable — current portion .....      |    | 20,000.00  |  |
|                                               | \$ | 695,759.19 |  |

|                                     |              |
|-------------------------------------|--------------|
| DEFERRED LIABILITIES (Note 5) ..... | 1,271,000.00 |
|-------------------------------------|--------------|

### FUNDED INDEBTEDNESS

|                                                                                          |                |            |              |
|------------------------------------------------------------------------------------------|----------------|------------|--------------|
| \$3,500,000.00 — 5% general mortgage sinking fund bonds<br>to mature June 1, 1975 .....  | \$3,500,000.00 |            |              |
| \$4,000,000.00 — 4½ % first mortgage sinking fund bonds<br>to mature April 1, 1975 ..... | 4,000,000.00   |            |              |
| Mortgage payable .....                                                                   | \$380,000.00   |            |              |
| Less amount due within one year .....                                                    | 20,000.00      | 360,000.00 | 7,860,000.00 |

### CAPITAL AND SURPLUS

|                                                                                     |                |              |              |
|-------------------------------------------------------------------------------------|----------------|--------------|--------------|
| Capital (note 6)                                                                    |                |              |              |
| Authorized                                                                          |                |              |              |
| 70,000 — 5½ % cumulative redeemable preferred<br>shares par value \$50.00 per share |                |              |              |
| 7,500,000 — common shares par value \$.25 per share                                 |                |              |              |
| Issued and fully paid                                                               |                |              |              |
| 70,000 preferred shares .....                                                       | \$3,500,000.00 |              |              |
| 5,089,936 common shares .....                                                       | 1,272,484.00   |              |              |
|                                                                                     | \$4,772,484.00 |              |              |
| Capital surplus .....                                                               | \$4,954,329.83 |              |              |
| Deficit (Exhibit 1) .....                                                           | 902,441.31     | 4,051,888.52 | 8,824,372.52 |

\$18,651,131.71

bove statement are an integral part thereof.



# STATEMENT OF OPERATIONS

## for the year ended March 31, 1958

### EXHIBIT 2

|                                                         |              |                       |
|---------------------------------------------------------|--------------|-----------------------|
| Revenue:                                                |              |                       |
| Proceeds from sale of gas and oil .....                 |              | \$1,336,666.57        |
| Interest earned on investment .....                     |              | 203,205.48            |
| Administration, rental and miscellaneous income .....   |              | 87,491.29             |
|                                                         |              | <u>\$1,627,363.34</u> |
| Operating expense .....                                 |              | 417,554.86            |
|                                                         |              | <u>\$1,209,808.48</u> |
| Administration and general expense                      |              |                       |
| Management and office salaries .....                    | \$ 74,237.50 |                       |
| Toronto office expense .....                            | 4,594.35     |                       |
| Travel .....                                            | 7,574.73     |                       |
| Professional services .....                             | 17,070.80    |                       |
| Advertising and public relations .....                  | 11,479.78    |                       |
| Bond trustees and transfer agents fees .....            | 16,723.72    |                       |
| Office operations .....                                 | 30,713.78    |                       |
| Building operations .....                               | 25,212.31    |                       |
| General .....                                           | 14,688.61    |                       |
|                                                         |              | <u>202,295.58</u>     |
| Profit before providing for the following .....         |              | \$1,007,512.90        |
| Financial expense                                       |              |                       |
| Interest .....                                          | \$483,738.18 |                       |
| Amortization of financing costs .....                   | 66,318.00    | \$550,056.18          |
| Provision for depreciation and development amortization |              |                       |
| Provision for depreciation .....                        | 164,179.76   |                       |
| Development amortization .....                          | 31,187.36    |                       |
|                                                         |              | <u>745,423.30</u>     |
| Operating profit for the year .....                     |              | \$ 262,089.60         |
| Less loss on sale and abandonment of fixed assets ..... |              | 60,981.76             |
| Profit for the year .....                               |              | <u>\$ 201,107.84</u>  |

The notes attached hereto applicable to the above statement are an integral part thereof.

# STATEMENT OF DEFICIT

## for the year ended March 31, 1958

### EXHIBIT I

|                                            |                       |
|--------------------------------------------|-----------------------|
| Balance as at March 31, 1957 .....         | \$1,006,949.15        |
| Dividend paid — preferred shares .....     | 96,600.00             |
|                                            | <u>\$1,103,549.15</u> |
| Less profit for the year — Exhibit 2 ..... | 201,107.84            |
| Balance as at March 31, 1958 .....         | <u>\$ 902,441.31</u>  |



## NOTES TO FINANCIAL STATEMENTS

As at March 31, 1958

*NOTE 1. Investment in and advances to wholly owned subsidiary (Bryan Mountain Coal Company Limited).*

An analysis of this account is as follows:

|                            |                       |
|----------------------------|-----------------------|
| Investment in shares ..... | \$1,259,657.60        |
| Note receivable .....      | 350,342.40            |
| Cash advances .....        | 65,586.62             |
| Total .....                | <u>\$1,675,586.62</u> |

*NOTE 2. Investments*

A summary of investments owned is as follows:

| Name                                  | Class                                       | Par value or<br>No. of shares | Cost                   |
|---------------------------------------|---------------------------------------------|-------------------------------|------------------------|
| North Western Pulp &<br>Power Limited | Common - no par value                       | 100,000                       | \$ 1,390,000.00        |
|                                       | Class A - par value<br>\$100.00 per share   | 50,000                        | 5,000,000.00           |
|                                       | 5% - 10 year subordinate<br>debenture       | \$4,500,000.00                | 4,500,000.00           |
|                                       |                                             |                               | <u>\$10,890,000.00</u> |
| New Pacific Coal &<br>Oils Limited    | Preferred - par value<br>\$100.00 per share | 45                            | 813.97                 |
| Mid-Western Industrial<br>Gas Ltd.    | Common - no par value                       | 100                           | 145.00                 |
|                                       |                                             |                               | <u>\$10,890,958.97</u> |

*NOTE 3. Depreciation*

During the year ended March 31, 1957 depreciation was claimed on the pipeline in the amount of \$123,223.72 giving no regard to the gas flow. The Company has now adopted the policy of amortizing the cost of the pipeline on a minimum throughput basis from the commencement of operations to July 1, 1977, the expiry date of the present contract to supply natural gas to North Western Pulp & Power Limited. The provision for depreciation for the period under review in the amount of \$108,863.26 adjusts the accumulated depreciation as at March 31, 1958 in accordance with this policy. The yearly provision for depreciation from this date until the expiration of the contract, based on present pipeline costs, will be \$202,810.72. Depreciation has been provided during the period under review on buildings, machinery and equipment at the maximum rates allowed under the terms of the Canadian Income Tax Act.

*NOTE 4. Notes payable — \$300,000.00*

The due dates of notes payable are as follows:

\$160,000.00 due May 1, 1958  
140,000.00 due April 1, 1958

Subsequent to balance sheet date the Company agreed to issue 48,009 common shares par value \$.25 per share in full payment of note payable of \$140,000.00 plus accrued interest thereon to April 1, 1958.



*NOTE 5. Deferred Liabilities*

|                                        |                       |
|----------------------------------------|-----------------------|
| Bank of Nova Scotia .....              | \$1,510,000.00        |
| Due on pipeline stub acquisition ..... | 26,000.00             |
|                                        | <u>\$1,536,000.00</u> |
| Less amount due within one year .....  | 265,000.00            |
|                                        | <u>\$1,271,000.00</u> |

The Company has entered into an agreement with St. Regis Paper Company (Canada) Ltd. to borrow \$1,400,000.00 at 5% as at June 2, 1958 to repay the outstanding balance of the bank loan as at that date. Payment of principal at the rate of \$50,000.00 per month to begin January 1, 1959.

*NOTE 6. Capital*

As at March 31, 1958, 229,970 common shares par value \$.25 per share were reserved for exercise of stock purchase warrant conversion.

Each stock purchase warrant to be exchanged for one share of treasury stock par value \$.25 per share at the following price:

|                                                                                                   |        |
|---------------------------------------------------------------------------------------------------|--------|
| If exercised on or before June 1, 1960 .....                                                      | \$5.50 |
| If exercised on or before June 1, 1965 (at which date<br>right to purchase shall terminate) ..... | 7.50   |

## Auditors' Report

To the Shareholders NORTH CANADIAN OILS LIMITED:

We have examined the balance sheet of North Canadian Oils Limited as at March 31, 1958 and the related statements of deficit and operations for the year ended on that date, and have received all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards and included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The loss sustained by Bryan Mountain Coal Company Limited, a wholly owned subsidiary, for the year ended March 31, 1958 in the amount of \$25,365.86 (exclusive of depreciation and development amortization) has not been provided for in the accounts of the Parent Company.

Subject to the foregoing and the notes attached hereto, the accompanying balance sheet and related statements of deficit and operations are, in our opinion, properly drawn up so as to present fairly the state of the affairs of the Company as at March 31, 1958 and of the results of its operations for the year then ended according to the best of our information and the explanations given to us and as shown by the books of the Company.

CALGARY, Alberta  
May 5, 1958.

ROSS, NEWBORN & CO.  
Chartered Accountants.







